

## Message Text

CONFIDENTIAL

PAGE 01 TEGUCI 01127 01 OF 03 032016Z  
ACTION ARA-14

INFO OCT-01 ISO-00 SS-15 HA-05 EB-08 INR-10 SNM-05  
/058 W

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R 031639Z MAR 78  
FM AMEMBASSY TEGUCIGALPA  
TO SECSTATE WASHDC 9656  
INFO AMEMBASSY GUATEMALA  
AMEMBASSY MANAGUA  
AMEMBASSY SAN JOSE  
AMEMBASSY SAN SALVADOR  
AMCONSUL BELIZE  
USCINCSO QUARRY HEIGHTS CZ

C O N F I D E N T I A L SECTION 1 OF 3 TEGUCIGALPA 1127

EO 11652: GDS  
TAGS: PEPR, PINT, SNAR, ECON, US, ES, NU, HO  
SUBJ: TODMAN/MELGAR JANUARY 24 MEMORANDUM OF CONVERSATION

REF: STATE 52684

1. SUMMARY: GENERAL MELGAR, ASSISTANT SECRETARY TODMAN AND AM-  
BASSADOR JARAMILLO WITH STAFFS MET JANUARY 24. ISSUES DISCUSSED  
WERE: RETURN TO DEMOCRACY; HUMAN RIGHTS; THE NOVEMBER COUP;  
MEDIATION WITH EL SALVADOR; THE EL CAJON HYDROELECTRIC PORJECT;  
AGRARIAN REFORM; HONDURAN ECONOMY; NARCOTICS; AND NICARAGUA.  
GENERAL MELGAR GAVE TODMAN A LETTER FOR PRESIDENT CARTER. DIS-  
CUSSIONS WERE CANDID AND SERVED USEFUL PURPOSE, FURTHERING MUTUAL  
UNDERSTANDING AND FRIENDSHIP.

2. ASSISTANT SECRETARY TODMAN, AMBASSADOR JARAMILLO AND ARA/CEN  
DIRECTOR MATTHEWS MET FOR TWO AND ONE-HALF HOURS JANUARY 24 WITH  
CHIEF OF STATE GENERAL MELGAR. MELGAR WAS ACCOMPANIED INITIALLY  
BY FOREIGN MINISTER PALMA GALVEZ AND ADVISOR CESAR BATRES, AND  
(AFTER 45 MINUTES) SUBSEQUENTLY IN CABINET ROOM BY "ECONOMIC CAB-  
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PAGE 02 TEGUCI 01127 01 OF 03 032016Z

INET" CONSISTING OF:

CENTRAL BANK PRESIDENT - GUILLERMO BUESO  
MINFINANCE - PORFIRIO ZAVALA  
MINECONOMY - BENJAMIN VILLANUEVA  
MINNATURAL RESOURCES - RAFAEL LEONARDO CALLEJAS  
SUB-DIRECTOR PLANNING OFFICE - VIRGILIO CACERES

NATIONAL AGRARIAN INSTITUTE DIRECTOR - FABIO SALGADO

PALMA GALVEZ WITHDREW BUT CESAR BATRES REMAINED WITH GROUP, WHO ALSO JOINED BY DCM, EMBASSY POLOFF AND ACTING AID DIRECTOR. MELGAR WAS FRIENDLY, ARTICULATE, VIBRANT, RELAXED, LEADING BUT NOT DOMINATING HIS CABINET MINISTERS AND OTHER OFFICIALS.

3. MAJOR POINTS COVERED WERE:

A. RETURN TO DEMOCRACY: TODMAN NOTED FAVORABLE RECEPTION IN U.S. TO PROCLAMATION OF ELECTORAL LAW ON DECEMBER 31 AS EVIDENCE THAT THE GOH WAS FOLLOWING THROUGH AND ABIDING BY ITS ANNOUNCED PLAN FOR ELECTIONS IN 1979. MELGAR SAID THAT PRELIMINARY INTERNAL REACTION FROM POLITICAL PARTIES HAD ALSO BEEN GOOD, THOUGH THEY WERE STILL STUDYING THE LAW. IN RESPONSE TO TODMAN'S QUESTION ON WHETHER THE CONSTITUENT ASSEMBLY, WHICH THE LAW WOULD ESTABLISH AND FOR WHICH THE ELECTIONS WILL BE HELD, WOULD TRANSFORM ITSELF INTO A LEGISLATURE, MELGAR SAID THAT WOULD BE UP TO THE ASSEMBLY.

B. POLITICAL SITUATION AND HUMAN RIGHTS: TODMAN NOTED TRANQUILITY OF COUNTRY AND APPARENTLY FREE PRESS IN HONDURAS. HE SAID HONDURAS IS REGARDED IN THE U.S. AS A COUNTRY WHICH HAS A GOOD RECORD OF RESPECT FOR THE BASIC RIGHTS OF THE PERSON AND IS MOVING TOWARD IMPROVING POLITICAL RIGHTS THROUGH ELECTIONS AND ECONOMIC RIGHTS THROUGH AN ACTIVE DEVELOPMENT PROGRAM. MELGAR RESPONDED BY NOTING HE BELIEVED HIS GOVERNMENT'S ACTIONS HAD HELPED MAINTAIN AND IMPROVE

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PAGE 03 TEGUCI 01127 01 OF 03 032016Z

HONDURAS' GOOD HUMAN RIGHTS RECORD WHICH DIFFERED FROM THAT OF THE NEIGHBORING COUNTRIES, AND HE HOPED HE COULD INSURE THAT THEIR VIOLENCE DOES NOT SPREAD TO HONDURAS. HE NOTED THAT HIS GOVERNMENT HAS TRIED TO REMOVE PARTISAN PASSION FROM POLITICS WHILE MOVING TOWARD ELECTIONS BY FASHIONING AN ELECTORAL LAW WHICH HELPS BREAK THE TRADITIONAL UNDEMOCRATIC CONTROL OF POLITICAL PARTIES BY A PERSONAL CLIQUE. HIS GOVERNMENT'S HONESTY AND DEDICATION TO DUTY, HE BELIEVES, HAVE ALSO GAINED IT GENERAL SUPPORT FROM THE PEOPLE. REFERRING TO CORRUPTION, MELGAR MAINTAINED THAT SINCE 1975, THE GOVERNMENT OF HONDURAS HAS HAD "CLEAN HANDS." THE MINISTRIES OF EDUCATION, HEALTH, COMMUNICATIONS AND NATURAL RESOURCES HAVE RECEIVED THE LARGEST SHARE OF THE NATIONAL BUDGET, AND THAT SHARE IS INCREASING.

C. NOVEMBER COUP: MELGAR NOTED THAT THE COUP REPRESENTED A SMALL AND ISOLATED POCKET OF PERSONAL DISSATISFACTIONS. HIS GOVERNMENT'S DECISION TO RELEASE THOSE INVOLVED WAS DESIGNED TO INSURE THAT EVEN SUCH A SMALL GROUP WOULD NOT HAVE A LASTING GRIEVANCE AND WAS IN ILLUSTRATION OF THE GOVERNMENT'S CONFIDENCE IN THE LACK OF SUPPORT FOR THE COUP PLOTTERS. THOUGH THERE HAD BEEN FEW INVOLVED AND THEIR MOTIVE SEEMED LARGELY PERSONALISTIC, HE SAID THAT THE RANGER-TYPE TRAINING THAT SOME OF THE SERGEANTS INVOLVED IN THE

PLOTTING HAD RECEIVED (AND WHICH HE DID NOT MAKE PUBLIC) MEANT THAT THEY HAD BEEN A GREATER DANGER THAN MOST BELIEVED.

D. MEDIATION WITH EL SALVADOR: TODMAN CONGRATULATED MELGAR ON THE SUCCESS OF HIS MEETING IN EARLY JANUARY ON THE BORDER WITH SALVADORAN PRESIDENT ROMERO. MELGAR SHOWED CLEAR PLEASURE AND SATISFACTION WITH THE WAY THINGS WERE GOING TOWARD RESOLVING NOT ONLY THE BORDER PROBLEM BUT ALSO OTHER MATTERS IN DISPUTE. HE FELT ROMERO HAD BEEN FORTHCOMING AND THAT THEY HAD ESTABLISHED A VITAL PERSONAL RELATIONSHIP OF TRUST. HE WAS AGREEABLY SURPRISED AT ROMERO'S PROPOSALS, NOTING THAT HE TOLD ROMERO AT ONE TIME HE (ROMERO) MUST BE CLAIRVOYANT IN ANTICIPATING THE VERY SOLUTIONS MELGAR INTENDED TO PROPOSE (SEE TEGUCIGALPA 0197). MELGAR BELIEVES THAT OF THE SIX FRONTIER ZONES WHERE THE BORDER IS STILL IN DISPUTE, THE  
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PAGE 04 TEGUCI 01127 01 OF 03 032016Z

DIVIDING LINE CAN BE DETERMINED QUICKLY IN FOUR. THE REMAINING TWO WILL PROBABLY HAVE TO GO TO THE INTERNATIONAL COURT FOR RESOLUTION. DEMARCATION OF BORDERS IS HONDURAS' MOST PRESSING AIM,

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PAGE 01 TEGUCI 01127 02 OF 03 032030Z  
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C O N F I D E N T I A L SECTION 2 OF 3 TEGUCIGALPA 1127

WHILE SALVADOR'S ARE REOPENING THE FRONTIERS TO COMMERCE AND MOVEMENT OF PERSONS AND THE RENEWAL OF TRADE AND MOMENTUM

TOWARD CENTRAL AMERICAN INTEGRATION. HONDURAS, SAID MELGAR, IS WILLING TO MOVE FORWARD QUICKLY TOWARDS THOSE SALVADORAN AIMS AS SOON AS THE FRONTIER CAN BE AGREED UPON, EXCEPTING THE TWO MORE DIFFICULT POCKETS WHICH CAN BE REFERRED TO ARBITRATION. HE WILL NOT INSIST THAT THE BORDER IN THOSE LAST TWO ZONES BE AGREED UPON PRIOR TO RESOLUTION OF OTHER OUTSTANDING DIFFERENCES. ONCE THE FOUR BORDER ZONES ARE DEFINED, BOTH A BILATERAL COMMERCIAL AGREEMENT AND (LATER A NEW CENTRAL AMERICAN COMMON MARKET TREATY CAN BE NEGOTIATED AND SIGNED.

E. EL CAJON HYDROELECTRIC PROJECT: MELGAR SAID THAT RAPID APPROVAL BY THE IBRD AND IDB WITH ADEQUATE CONCESSIONARY FINANCING OF THIS LARGE HYDROELECTRIC PROJECT IS SECOND IN IMPORTANCE ONLY TO SETTLEMENT OF THE BORDER DISPUTE FOR HONDURAS. TODMAN RESPONDED THAT MELGAR ALREADY HAD PRESIDENT CARTER'S ASSURANCE THAT WE WOULD SUPPORT THIS PROJECT IN THE INTERNATIONAL BANKS IF THEY CONFIRM ITS ECONOMIC FEASIBILITY. MELGAR SAID HE UNDERSTOOD THE BANKS WOULD HAVE THE PROJECT READY FOR PRESENTATION TO THEIR BOARDS IN THE CONFIDENTIAL

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PAGE 02 TEGUCI 01127 02 OF 03 032030Z

SECOND HALF OF THIS YEAR, AND THAT HONDURAS WOULD NEED U.S. SUPPORT THAT A LARGE PART OF THE FINANCING BE IN SOFT LOANS. AT THE LARGER, ECONOMIC CABINET WHICH FOLLOWED, CENTRAL BANK PRESIDENT GUILLERMO BUESO PROVIDED BULK OF FURTHER JUSTIFICATION FOR PROJECT, ASSISTED AT TIMES BY MINFINANCE ZAVALA AND ADVISOR CESAR BATRES. BUESO OPENED BY NOTING HIS BELIEF THAT ECONOMIC DEVELOPMENT IS NECESSARY TO SECURE ALL OTHER ESSENTIAL HUMAN RIGHTS. HE PROVIDED A LENGTHY DESCRIPTION OF THE EL CAJON PROJECT, ADMITTING THAT IT WAS AMBITIOUS, BUT MAINTAINING ALSO THAT IT WAS BASIC TO HONDURAS' CONTINUED DEVELOPMENT. HE EMPHASIZED THE GOH BELIEF THAT THE PROJECT WILL NOT HAVE EXCESS CAPACITY FOR VERY LONG AND NOTED THAT GOH PROJECTIONS INDICATE THAT FURTHER HYDRO CAPACITY WILL BE NEEDED IN THE 1990'S. HE SAID THE GOH HAD RELUCTANTLY ACCEPTED THE WORLD BANK'S FORECAST OF 14 PERCENT YEARLY GROWTH RATE IN DEMAND, RATHER THAN ITS OWN PROJECTIONS OF 19 PERCENT AND POINTED OUT THAT THIS STILL MEANT GREAT GROWTH. THE GOH HAS ALREADY BEGUN SOME ASPECTS OF THE PROJECT, SUCH AS ACCESS ROADS. THE PRESENTLY ENVISAGED EXCESS CAPACITY IS THE REASON FOR THE IBRD AND IDB INSISTENCE ON SOME FORM OF PRIOR CONTRACT FOR THE SALE OF THE EXCESS TO NEIGHBORING COUNTRIES. THE PROBLEM WITH THIS, ACCORDING TO BUESO, IS THAT BOTH GUATEMALA AND NICARAGUA HAVE THEIR OWN PROPOSED PROJECTS AND MAY FEEL THAT TO FORMALLY AGREE TO PURCHASE FROM HONDURAS WILL PREJUDICE CONSIDERATION OF THOSE PROJECTS. CESAR BATRES SAID THAT THE GOH BELIEVES IT WILL USE ALL THE ELECTRICITY GENERATED, BUT THAT, IN THE REAL WORLD, IF GUATEMALA OR NICARAGUA NEED ENERGY THEY WILL, OF COURSE, BUY IT FROM HONDURAS, WHETHER THERE IS AN AGREEMENT OR NOT. BUESO NOTED THAT THE WORLD BANK IS RAISING THE LOAN AMOUNT TO \$90 MILLION AND WILL PROVIDE \$15 MILLION IN SOFT FUNDS. HE ADDED THAT THE IDB HAS VERBALLY CONFIRMED AGREEMENT

T TO PROVIDE \$90 MILLION, UP FROM THE  
PREVIOUS \$75 MILLION, IN REGULAR FUNDS AND UP TO \$50 MILLION  
FROM THE FSO WINDOW. BUESO SAID THAT THE DEAL SO FAR ENCOUNTERED  
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PAGE 03 TEGUCI 01127 02 OF 03 032030Z

IN IMPLEMENTING THE PROJECT HAS FORCED THE GOH TO PLAN ON  
SPENDING \$40 MILLION FOR INTERIM ENERGY PRODUCTION UNTIL EL CAJON  
CAN COME ON LINE. BUESO AGREED THAT THE PROJECT, AT \$412 MILLION,  
IS AN IMPORTANT INVESTMENT, BUT REITERATED GOH VIEW THAT IT IS  
ECONOMICALLY VIABLE WITH OR WITHOUT FOREIGN SALES OF EXCESS CAPACITY.

F. TODMAN ASKED ABOUT THE CURRENT STATE OF HONDURAS' ECONOMY  
AND DEVELOPMENTAL PROJECTS OTHER THAN EL CAJON. MELGAR REPLIED  
THAT THE ECONOMIC SITUATION WAS BAD IN 1975-76 (BECAUSE OF THE AFTER  
EFFECTS OF HURRICANE FIFI AND THE DROUGHT), BUT MUCH BETTER LAST YEAR

FOR BOTH POLITICAL AND ECONOMIC REASONS, HIS GOVERNMENT IS MOVING  
AHEAD WITH AGRARIAN REFORM. HOWEVER, TO INSURE THAT PRODUCTION  
GOES UP WHILE LAND DISTRIBUTION IS IMPROVED, GOH IS DISTRIBUTING  
LAND ONLY TO THE EXTENT THAT TECHNICAL ASSISTANCE AND FINANCING  
ARE AVAILABLE. (AT THE LATER ECONOMIC CABINET MEETING, NATIONAL  
AGRARIAN INSTITUTE DIRECTOR FABIO SALGADO DESCRIBED LAND DISTRIBUTION  
EFFORTS IN FURTHER DETAIL. HE EMPHASIZED THE LESSONS DRAWN FROM THE  
GOH'S PREVIOUS EXPERIENCE IN IMPLEMENTING THE 1962 AGRARIAN REFORM  
LAW AND NOTED ESPECIALLY THAT PROVIDING LAND TO PEASANTS WITHOUT  
TECHNICAL ASSISTANCE AND CREDIT ONLY CREATES A RURAL SUBSISTENCE  
CLASS THAT REMAINS IMPOVERISHED. THE 1975 AGRARIAN REFORM LAW PRO-  
VIDES THAT LAND IS GIVEN TO GROUPS OF CAMPESINOS WHO AGREE TO WORK  
TOGETHER, WHETHER ORGANIZED INTO COOPERATIVES OR NOT, AND NOT TO  
INDIVIDUALS. INA WORKS WITH THE NATIONAL CAMPESINOS ASSOCIATION,  
THE NATIONAL CAMPESINOS UNION AND A FEDERATION OF COOPERATIVES IN  
PROCESSING LAND REFORM.) AS THE CENTRAL AMERICAN COUNTRY WITH THE  
GREATEST FORESTRY RESOURCES BUT A SERIOUS PROBLEM OF DEFORESTATION,  
MELGAR SAID DEVELOPMENT OF THAT INDUSTRY IS PROCEEDING UNDER AN  
INTEGRATED PLAN BY THE STATE FORESTRY CORPORATION (COHDEFOR).  
IMPROVEMENT OF THE ROAD SYSTEM IS ALSO A PRIMARY AIM WHICH WOULD  
ASSIST DEVELOPMENT OF BOTH AGRICULTURAL AND FORESTRY RESOURCES.  
TODMAN QUERIED WHETHER THE GOH HAS ITS DEVELOPMENT FUTURE BASED  
MORE ON STATE ORGANIZATIONS OR ON PRIVATE INITIATIVE. MELGAR SAID  
THAT ALTHOUGH SOME SECTORS COULD BEST BE HANDLED BY THE GOVERN-  
MENT, HIS ADMINISTRATION FEELS THAT BASIC INDUSTRIAL, COMMERCIAL AND  
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PAGE 04 TEGUCI 01127 02 OF 03 032030Z

AGRICULTURAL DEVELOPMENT COULD BE BEST TACKLED IN A COUNTRY WITH

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PAGE 01 TEGUCI 01127 03 OF 03 032031Z  
ACTION ARA-14

INFO OCT-01 ISO-00 SS-15 HA-05 EB-08 INR-10 SNM-05  
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INFO AMEMBASSY GUATEMALA  
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C O N F I D E N T I A L SECTION 3 OF 3 TEGUCIGALPA 1127

THE LIMITED PROFESSIONAL EXPERTISE OF HONDURAS THROUGH PRIVATE INITIATIVE. MELGAR NOTED THAT COFFEE IN HONDURAS IS PRIMARILY GROWN ON SMALL FARMS, AND HE ANTICIPATES PRODUCTION WILL RISE AS LAND REFORM PROGRESSES. WHILE SUGAR WAS IMPORTED ONLY A FEW YEARS AGO, IT IS NOW A SIGNIFICANT EXPORT CROP WHICH LEADS TO CONCERNS OVER U.S. FEES. TODMAN EXPLAINED THAT THE RECENT U.S. IMPORT FEE ON SUGAR IS A TEMPORARY MEASURE WHICH SHOULD SOON BE SUPERSEDED BY THE FAVORABLE IMPACT WHICH THE INTERNATIONAL SUGAR AGREEMENT WILL HAVE ON PRICES.

G. NARCOTICS: TODMAN EXPRESSED APPRECIATION FOR HONDURAS' COOPERATION IN THE SEIZURE OVER THE PAST SEVERAL MONTHS BY U.S. AUTHORITIES OF SEVEN HONDURAN-FLAG, COLOMBIAN-OWNED AND MANNED SHIPS IN THE ILLEGAL DRUG TRAFFIC. HE CONTINUED BY NOTING OUR CONCERN THAT WITH INTERNATIONAL ACTION CLOSING OFF MORE TRADITIONAL DRUG SMUGGLING ROUTES, NEW ROUTES MIGHT WELL BE ESTABLISHED THROUGH HONDURAS. HE NOTED THE GREAT RESOURCES THAT THE DRUG SMUGGLERS POSSESS AND THE TEMPTATION THAT THEY CAN OFFER POORLY PAID OFFICIALS IN A DEVELOPING COUNTRY. TODMAN OFFERED OUR FULL COLLABORATION TO THE GOH IN COMBATTING TRAFFICKERS WHO NOT ONLY DAMAGE THE

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PAGE 02 TEGUCI 01127 03 OF 03 032031Z

COUNTRY TO WHICH THE DRUGS ARE SENT BUT ALSO ANY COUNTRY

THROUGH WHICH THE DRUGS ARE TRANS-SHIPED THROUGH THEIR CORRUPTING INFLUENCE. MELGAR RESPONDED BY PRAISING THE POLICE TRAINING PROGRAM WHICH THE U.S. HAD CONDUCTED A FEW YEARS AGO AS AN EFFECTIVE WAY TO FIGHT NARCOTICS SMUGGLERS. HE NOTED THAT HE HAD PERSONAL EXPERIENCE IN ONE SUCH PROGRAM AND FOUND IT MOST HELPFUL IN INCREASING TECHNICAL COMPETENCE TO COMBAT ORGANIZED CRIME SUCH AS THE NARCOTICS TRADE. HE NOTED THAT ONE OF HONDURAS' WEAKNESSES IN THIS AREA WAS LACK OF A MODERN AND EFFECTIVE NARCOTICS LAW. SUCH A LAW HAS NOW BEEN DRAWN UP, HE NOTED, AND IS ABOUT TO BE PRESENTED TO THE COUNCIL OF MINISTERS.

H. NICARAGUA: TODMAN ASKED MELGAR WHAT HE THOUGHT OF THE POLITICAL SITUATION IN NICARAGUA. HE NOTED THAT HIS NEXT PLANNED STOP HAD BEEN NICARAGUA, BUT THAT SOMOZA AND THE U.S. EMBASSY HAD SUGGESTED HE NOT COME BECAUSE OF CURRENT DEVELOPMENTS. TODMAN CONSEQUENTLY DECIDED TO CANCEL HIS VISIT TO NICARAGUA BECAUSE HE DID NOT WANT TO BE THE FOCUS OF DEMONSTRATIONS WHICH COULD AGGRAVATE AN ALREADY TENSE SITUATION AND WHICH COULD ADD A FOREIGN ELEMENT TO A SITUATION WHICH THE NICARAGUANS MUST THEMSELVES WORK OUT. MELGAR SAID HE AGREED THAT TODMAN'S DECISION NOT TO VISIT NICARAGUA NOW IS THE BEST ONE. HE SAID THE BASIC PROBLEM IN NICARAGUA WAS NOT THE CONDUCT OF THE SOMOZA GOVERNMENT, BUT THE FACT THAT THERE HAS BEEN NO REAL ROTATION OR CHANGE IN THE GOVERNING AUTHORITY FOR MANY YEARS. POLITICAL ROTATION AND CHANGE ARE ESSENTIAL TO KEEP PUBLIC SUPPORT AND TRUST, HE ADDED. IT WAS PARTLY OF THIS REASON THAT HONDURAS IS MOVING TOWARD ELECTIONS AND NEW CONSTITUTION. HE AGREED THAT DEVELOPMENTS IN NICARAGUA COULD PROFOUNDLY AFFECT THE REST OF CENTRAL AMERICA, BUT THAT ANY EFFECT WOULD BE MUCH MORE SEVERE ON SALVADOR AND GUATEMALA THAN HONDURAS, SINCE SOCIAL AND ECONOMIC INEQUALITIES ARE MUCH MORE SERIOUS IN THOSE COUNTRIES THAN IN HONDURAS AND SINCE NEITHER OF THOSE COUNTRIES IS

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PAGE 03 TEGUCI 01127 03 OF 03 032031Z

MOVING FORCEFULLY LIKE HONDURAS TO CORRECT THOSE INEQUALITIES.

I. LETTER TO PRESIDENT CARTER: PRIOR TO MOVING TO THE CABINET ROOM TO CONTINUE THE INTERVIEW, MELGAR HANDED TODMAN A LETTER DATED JANUARY 24 TO PRESIDENT CARTER WHICH: (1) THANKED HIM FOR HIS POSITION REGARDING THE EL CAJON HYDROELECTRIC PROJECT AND PRESUMED U.S. SUPPORT FOR SOFT CREDITS; (2) NOTED THAT HONDURAS WAS READY TO RECEIVE NASA TECHNICIANS TO IMPROVE UTILIZATION OF REMOTE SENSING DATA; AND (3) INFORMED HIM OF MELGAR'S OPTIMISM REGARDING THE PROGRESS OF THE MEDIATION WITH EL SALVADOR AND SOME ELEMENTS OF THE PROPOSED SETTLEMENT.

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## Message Attributes

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